

Message Text

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ACTION EUR-12

INFO OCT-01 AF-08 IO-13 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 INT-05 AGRE-00 L-03 H-02 PA-02

PRS-01 EA-09 NEA-10 /146 W
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R 161538Z NOV 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC 3522

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY PRETORIA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

USDEL MTN GENEVA

AMCONSUL ZURICH

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PASS TREASURY AND FRB

EO 11652: NA

TAGS: EFIN ECON SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK NOV 9-13

1. SUMMARY: FOREIGN EXCHANGE MARKET CALM. DOLLAR SHOWED
SOME WEAKENING AS UPWARD PRESSURE CONTINUED ON DM FROM WEAK
POUND STERLING. GOLD PRICE JUMPED FROM 126 TO 135. SOME
OBSERVERS PREDICTED PRICE WOULD EVENTUALLY STABILIZE LOWER
AT 120, OTHERS BELIEVED IT COULD REMAIN AT PRESENT LEVEL.
CAPITAL MARKET REMAINS HIGHLY LIQUID; INTEREST RATES
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CONTINUE SOFTEN. PARLIAMENTARY COMMISSION APPROVED GOVT

PROGRAM EXTEND CREDITS SF 240 MILLION FOREIGN TECHNICAL AND FINANCIAL ASSISTANCE. SWISS EXPORTS REACHED RECORD LEVEL DURING OCT FOR SURPLUS SF 293.7 MILLION. WHOLESale PRICES DECREASED 0.3 PERCENT IN OCT, CONSUMER PRICES INCREASED 0.7 PERCENT. CHEMICAL EXPORTS DECLINED DURING THIRD QTR 1976. UNEMPLOYMENT DECLINED SLIGHT IN OCT.

FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: FOREIGN EXCHANGE MARKET RELATIVELY CALM. DOLLAR SHOWED SLIGHT WEAKENING AS UPWARD PRESSURE CONTINUED ON DM FROM WEAKNESS POUND STERLING. GOLD PRICE JUMPED FROM 126 TO 135. RATES FOLLOW:

	11/8 (OPEN)	11/12 (CLOSE)
SPOT DOLLARS	2.4425	2.4400
FORWARD DISCOUNTS (PCT P.A.)		
ONE MONTH	3.59	4.03
2 MONTHS	3.25	3.20
3 MONTHS	3.19	3.20
6 MONTHS	3.22	3.31
12 MONTHS	3.19	3.14
SF/DM	100.80	101.07
GOLD	126.75	135.25

3. GOLD: PRESS FOCUSED ON GOLD PRICE RISE. SOME OBSERVERS SAID PRICE WOULD STABILIZE ABOUT 120. SWISS CREDIT BANK AND BANQUE FERRIER LULLIN BELIEVED PRICE COULD STABILIZE AROUND PRESENT LEVEL. CURRENT PRICE RISE ATTRIBUTED TO EFFECT OF REDUCED SALES USSR AND SOUTH AFRICA WHILE DEMAND FOR INDUSTRY, JEWELRY AND INVESTMENT HAS RISE, THOUGH DEMAND FOR GOLD BARS DECREASED. SWISS CREDIT BANK PROVIDED FOLLOWING SUPPLY AND DEMAND ESTIMATES.

	1976	1977
IN TONS:		
NON COMMUNIST PRODUCTION	950	950
SALES FROM EASTERN COUNTRIES	250	250
OFFICIAL SALES	150	200
TOTAL SUPPLY	1,350	1,400

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TOTAL DEMAND	1,300	1,350
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BANQUE LULLIN STUDY CONCLUDED THAT POSSIBILITY OF LASTING LARGE PRICE CHANGE IS LIMITED, THOUGH LONG TERM PRE-DICITON DIFFICULT. MUCH DEPENDS ON ATTITUDE CENTRAL BANKS AND PRIVATE INDIVIDUALS. CONTINUED ECONOMIC RECOVERY AND LONG RUN SLOWING INFLATION COULD INDUCE INVESTORS SELL GOLD, DRIVE PRICE DOWN. IF INFLATION BECOMES

RENEWED CONCERN, PRIVATE INDIVIDUALS MIGHT HASTEN
BUY, PUSH PRICE UP. ONE EDITORIALIST SPECULATED THAT
US TREASURY MIGHT SELL GOLD IF PRICE ROSE TOO HIGH.

4. CAPITAL AND MONEY MARKET: MARKETS CALM, HIGHLY
LIQUID. CALL MONEY RATE 0.5 PERCENT. SELECTED STOCKS
ACTIVE BUT GENERALLY DECLINED: SKA INDEX (1959 EQUALS
100) BACK DOWN TO 203.6 NOV 11. AVERAGE YIELD
CONFEDERATION BONDS SLIPPED FURTHER TO 4.50. CANTON
BERN BOND ISSUED NOV 12-18 FOR SF 50 MILLION ANNOUNCED
AT 4.5 PERCENT INTEREST. OTHER DOMESTIC ISSUES
TOTALING SF 220 MILLION ANNOUNCED AT 5 TO 5.25 PERCENT
INTEREST AND ONE FOREIGN LOAN ISSUE SF 80 MILLION AT
5.75 PERCENT INTEREST. NEW CONFEDERATION LOAN ISSUE SF 500
MILLION ANNOUNCED FOR NOV 25 - DEC 1 AT 4.25
PERCENT INTEREST. THIS BRINGS TOTAL 1976 CONFEDERATION
BORROWING EXCLUDING SHORT TERM BANK LOANS TO SF 3.55
BILLION. GOVT TAKING ADVANTAGE OF LOW INTEREST
RATES, REPORTEDLY HAS USED ONLY PART OF BORROWINGS
AND MAINTAINS SOME SF 4 BILLION ON ACCOUNT WITH SWISS
NATIONAL BANK WHICH PAYS 2 PERCENT INTEREST. GOVT
BELIEVES 1976 LOANS WILL REDUCE 1977 BORROWING NEEDS TO
SF 1.5 BILLION.

5. FOREIGN AID: PARLIAMENTARY COMMISSION ON FOREIGN AFFAIRS
UNANIMOUSLY APPROVED PROPOSED GOVT PROGRAM OF TECHNICAL
AND FINANCIAL ASSISTANCE TO LDC'S, CREDITS SF 240
MILLION FOR PERIOD MAY 1977 THROUGH JUNE 1978 AND
CREDITS SF 58 MILLION FOR SWISS CONTRIBUTIONS TO AFRICAN
AND ASIAN DEVELOPMENT FUNDS. COMMISSION RECOMMENDED SF
180 MILLION BE ALLOCATED FOR TECHNICAL ASSISTANCE.
FEDERAL COUNCILOR GRABER NOTED THAT PROGRAM AMOUNTS
TO SF 40 PERCENT CAPITA SWISS, OR 0.17 PERCENT SWISS GNP,
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COMPARED ANNUAL SF 1,300 PER CAPITA EARNED BY SWISS
EXPORTS TO LDC'S. GRABER SAID THIS AMOUNT BARELY HALF
WHAT OTHER WESTERN DONORS CONTRIBUTED PER CAPITA; ANYTHING
LESS WOULD CAUSE SWITZERLAND LOSE CREDIBILITY, EVEN
AMONG INDUSTRIALIZED COUNTRIES.

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PASS TREASURY AND FRB

ECONOMIC

6. FOREIGN TRADE: SWISS CUSTOMS REPORTED FOREIGN
TRADE CONTINUED GROW DURING OCT WITH RECORD LEVEL
EXPORTS AND TRADE SURPLUS BALANCE SF 293.7 MILLION
COMPARED SF 95.2 MILLION SURPLUS OCT 1975. FOLLOWING
SHOWS NOMINAL VALUE TRADE AND PERCENT CHANGE
FROM LEVEL PREVIOUS MONTH, PRICE CHANGE AND REAL
CHANGE FOREIGN TRADE OCT 1976 AND 1975.

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OCTOBER	IMPORTS	EXPORTS		
(MILLIONS SF)	1976	1975	1976	1975
VALUE	3,321	260.1	3,615	458.6
PCT. CHANGE	8.5	-21.7	14.5	-4.1

PRICES (PCT)	-4.6	-5.3	-2.8	2.2
REAL CHANGE	13.7	-17.3	17.7	-6.4

FIRST TEN MONTHS 1976 TRADE SURPLUS SF 118.5 MILLION COMPARED
DEFICIT SF 1,519 MILLION SAME PERIOD 1975 AS FOLLOWS:

TEN MONTHS	IMPORTS		EXPORTS	
(MILLIONS SF)	1976	1975	1976	1975
VALUE	29,993	28,869	30,111	27,349
PCT. CHANGE	3.9	-20.7	10.1	-6.8
PRICES (PCT)	-5.9	-2.9	-0.8	3.7
REAL CHANGE	10.4	-8.3	11.0	-10.1

7. PRICES: WHOLESALE PRICE INDEX FELL DURING OCT
AS PRICES DECLINED FOR AGRICULTURAL PRODUCTS, RAW
MATERIALS, SEMI-PROCESSED AND CONSUMER GOODS, WHILE
ENERGY PRODUCTS SHOWED SLIGHT INCREASE. END OCT
WPI (1963 EQUALS 100) WAS 147.6, DOWN 0.3 PERCENT FROM
148 END SEP BUT UP 0.7 PERCENT FROM 146.6 OCT
1975. CONSUMER PRICE INDEX ROSE SLIGHTLY IN OCT
RESULT HIGHER RAIL FARES AND FOOD PRICE INCREASES.
END OCT CPI (1966 EQUALS 100) WAS 166.4, UP 0.2
PERCENT FROM 166 END SEP AND 1 PERCENT FROM 164.7
END OCT 1975 BREWERIES ANNOUNCED BEER PRICES WILL RISE
EFFECTIVE DEC BY 10 CENTIMES TO SF 1.15
PER 58 CENTILITER BOTTLE FOR NORMAL BEER AND BY 15
CENTIMES TO SF 1.40 FOR SPECIAL BEER; FIRST BEER PRICE
HIKE SINCE MAY 1974.

8. CHEMICALS: CHEMICAL EXPORTS DECLINED DURING THIRD QTR
1976 THROUGH END THRID QTR 1975. EXPORTS OF CHEMICAL
PRODUCTS JUL-SEP WERE SF 1.889.7 MILLION, 6.5
PERCENT BELOW SF 2,021 MILLION FIRST QTR AND DOWN 10.4
PERCENT FROM SF 2,109 MILLION SECOND QTR THIS YEAR.
MOST OF DECLINE WAS IN EXPORTS PLASTICS (-9.1 PERCENT),
ORGANICS (-13.5 PERCENT) COLORANTS (-13.5 PERCENT) AND
AGROCHEMICAL PRODUCTS (-41.1 PERCENT). CHEMICAL IMPORTS
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WERE SF 1,121.2 MILLION, 3.6 PERCENT ABOVE
FIRST QTR 1976. CHEMICAL PRODUCERS REPORT THAT
RATE PROFITS AND INDUSTRIAL PRODUCTION UNSATISFACTORY
DUE FOREIGN PRICE COMPETITION, APPRECIATED SWISS FRANC.

9. UNEMPLOYMENT: GOVT ANNOUNCED 12,986 REGISTERED
UNEMPLOYED END OCT COMPARED 12,991 END SEP,
OF WHICH 3,085 23.8 PERCENT) FOREIGN WORKERS. UNEMPLOY-
MENT RATE ABOUT 0.3 PERCENT OF WORKFORCE (SEE BERN 5005).
UNFILLED POSITIONS DECLINED FROM 4,768 TO 4,429 FOR SEASONAL
FACTORS WHILE JOB SEEKERS ROSE FROM 14,135 TO 14,302.

NUMBER OF JOBLESS SHOWED SLIGHT DECLINE IN RETAIL SALES,
METALS AND MACHINES, AND WATCH INDUSTRIES WHILE ALL
OTHERS REGISTERED SLIGHT INCREASE.
DAVIS

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